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**HMV Digital China Group Limited**

**H M V 數碼中國集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8078)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED  
SHARE CAPITAL OF TIME EDGE LIMITED  
AND  
INVOLVING THE ISSUE OF CONVERTIBLE BOND UNDER  
SPECIFIC MANDATE**

**THE ACQUISITION**

The Board is pleased to announce that on 13 December 2016 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, representing 100% of the issued share capital of the Target Company, at the total consideration of HK\$50,000,000, which shall be satisfied by the issue of the Convertible Bond by the Company to the Vendor (or its nominee which shall be a wholly-owned subsidiary or an associate of the Vendor), subject to the terms and conditions contained in the Sale and Purchase Agreement.

**LISTING RULES IMPLICATIONS**

The Vendor is a wholly-owned subsidiary of AID Partners Technology, which is interested in approximately 20.47% of the issued share capital of the Company as at the date of this announcement and is a substantial shareholder of the Company. Accordingly, the Vendor is a connected person of the Company within the meaning of the GEM Listing Rules, and the Sale and Purchase Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. As all the applicable ratios exceed 5% but are below 25% and the total consideration is not less than HK\$10,000,000, the Sale and

Purchase Agreement and the transactions contemplated thereunder are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As all the applicable ratios under Chapter 19 of the GEM Listing Rules exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules and is subject to the notification and announcement requirements but exempt from the circular, Shareholders' approval and accountant's report requirements under the GEM Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement.

A circular containing, among other things, further details of the Sale and Purchase Agreement, the Specific Mandate and a notice convening the SGM, will be despatched by the Company to the Shareholders on or around 6 January 2017 in accordance with the GEM Listing Rules.

The Board is pleased to announce that on 13 December 2016 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, representing 100% of the issued share capital of the Target Company, at the total consideration of HK\$50,000,000. Principal terms of the Sale and Purchase Agreement are set out below:

## **THE SALE AND PURCHASE AGREEMENT**

**Date:** 13 December 2016 (after trading hours)

### **Parties:**

- (1) Sunny On Corporation Limited, as the Purchaser;
- (2) Honour Best Holdings Limited, as the Vendor; and
- (3) HMV Digital China Group Limited, as the listed company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is a wholly-owned subsidiary of AID Partners Technology, which is interested in approximately 20.47% of the issued share capital of the Company as at the date of this announcement and is a substantial shareholder of the Company. Accordingly, the Vendor is a connected person of the Company within the meaning of the GEM Listing Rules.

### **Assets to be acquired**

The Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, representing 100% of the issued share capital of the Target Company, free from all Encumbrances, and together with all rights attached thereto and all dividends and distributions declared, paid or made in respect thereof on or after the Completion Date.

### **Consideration**

The Consideration shall be HK\$50,000,000 which shall be satisfied by the issue of the Convertible Bond by the Company to the Vendor (or its nominee which shall be a wholly-owned subsidiary or an associate of the Vendor) upon Completion.

### **The basis of the Consideration**

The Consideration was determined after arm's length negotiations between the Parties by reference to the historical business performance and future prospects of the Target Group as well as market comparable of similar types of transactions.

The initial cost of the Target Company by the Vendor was HK\$2,928,294.

### **Conditions precedent**

Completion shall be subject to and conditional upon the fulfilment (or waiver) of the following conditions:

- (1) the completion of the due diligence by the Purchaser to the reasonable satisfaction of the Purchaser;
- (2) the passing of the resolution by the Shareholders at the SGM approving the Sale and Purchase Agreement and the transactions contemplated hereunder;
- (3) the listing committee of the Stock Exchange granting the listing of, and permission to deal in the Conversion Shares and the Interest Payment Shares;
- (4) all other requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Sale and Purchase Agreement having been obtained by the respective Parties (including but not limited to the necessary consent from the Stock Exchange, if any); and
- (5) none of the warranties made by the Vendor under and other provisions of the Sale and Purchase Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or (in respect of any of the aforesaid warranties) is misleading or untrue in any material respect.

The Purchaser may waive the conditions precedent (1) and (5) above at any time by notice in writing to the Vendor.

In the event that the above conditions precedent shall not be fulfilled or waived by the Long Stop Date, then the Vendor and the Purchaser shall not be bound to proceed with the transactions contemplated under the Sale and Purchase Agreement. The Sale and Purchase Agreement shall cease to be of any effect (save as the confidentiality and other general provisions contained therein and any claims arising out of any antecedent breach thereof).

**Completion**

Upon fulfilment (or if applicable, the waiver) of the conditions precedent above and subject to the terms contained in the Sale and Purchase Agreement, Completion shall take place on the Completion Date.

Immediately after Completion, the Group will own the entire issued share capital of the Target Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group in accordance with the Group’s accounting policies.

**PRINCIPAL TERMS OF THE CONVERTIBLE BOND**

- Principal amount: HK\$50,000,000.00
- Interest: 5% per annum coupon rate of the principal amount of the Convertible Bond from time to time outstanding.
- Interest period: The interest shall be accrued and payable on the maturity date or the date on which all of the Convertible Bond are being converted, whichever is earlier. The Company is entitled to pay the interest by way of issue of the Interest Payment Shares to the Bondholder at the Conversion Price.
- Conversion price: HK\$0.653 per Share (subject to adjustment)
- Maturity date: The fourth anniversary of the date of issue of the Convertible Bond
- Transferability: If the Convertible Bond (or any part thereof) is to be assigned or transferred to a connected person of the Company (save and except the subsidiary, associate or holding company of the Bondholder) such assignment and/or transfer of the Convertible Bond shall be made subject to the GEM Listing Rules and all applicable laws and regulations; and the approval of the Shareholders in a general meeting if so required and in compliance with the GEM Listing Rules if such assignment and/or transfer is proposed to be made to a connected person of the Company.

- Default payment: If the Company defaults in the payment of any sum due and payable under the Convertible Bond, the Company shall pay interest on such sum to the Bondholder from the due date to the date of actual payment in full calculated at the rate of 8% per annum.
- Redemption: The Company shall redeem the Convertible Bond or the then outstanding balance thereof on the maturity date.
- Conversion: Provided that the conversion shall not cause the percentage of issued Shares held by the public to fall below the percentage permitted under the GEM Listing Rules, the Bondholder shall have the right during the conversion period, to require the Company to convert the whole or any part (in authorized denominations) of the principal amount outstanding under the Convertible Bond into Shares at the conversion price subject to adjustment in the following manner:
- (i) In respect of Tranche 1 Conversion Period, the Bondholder shall have the right to convert the whole or any part of the outstanding principal amount of HK\$25,000,000 of the Convertible Bond;
  - (ii) In respect of Tranche 2 Conversion Period, the Bondholder shall have the right to convert the whole or any part of the outstanding principal amount of HK\$37,500,000 of the Convertible Bond; and
  - (iii) In respect of Tranche 3 Conversion Period, the Bondholder shall have the right to convert the remaining of the outstanding principal amount of the Convertible Bond.
- Conversion period:
- (i) Tranche 1 Conversion Period: 24 months after the issue date of the Convertible Bond up to 4:00 p.m. (Hong Kong time) on the Business Day immediately preceding the maturity date;
  - (ii) Tranche 2 Conversion Period: 30 months after the issue date of the Convertible Bond up to 4:00 p.m. (Hong Kong time) on the Business Day immediately preceding the maturity date; and
  - (iii) Tranche 3 Conversion Period: 36 months after the issue date of the Convertible Bond up to 4:00 p.m. (Hong Kong time) on the Business Day immediately preceding the maturity date.

Conversion shares:	The Shares to be issued by the Company upon exercise by the Bondholder of the rights to convert the principal amount (or any part thereof) of the Convertible Bond into Shares.
Ranking:	The Conversion Shares issued upon exercise of conversion rights shall be fully paid, free from any liens, charges, encumbrances, pre-emptive rights or other third party rights, and rank pari passu in all respects with all other existing Shares existing on the date of conversion.
Adjustments:	The conversion price of the Convertible Bond is subject to adjustments in certain events, including, among other things, share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and further issue of shares or convertible securities with conversion price less than the then market price provided that the conversion price shall not at any time fall below the par value of the Shares.

## EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement (ii) immediately after Completion and conversion of the Convertible Bond:

Shareholders	As at the date of this announcement		Immediately after Completion and conversion of the Convertible Bond	
	No. of Shares	Shareholding (Approx. %)	No. of Shares	Shareholding (Approx. %)
Vendor	–	–	76,569,678	1.38
Shiu Stephen Junior ( <i>note 1</i> )	141,920	–	141,920	–
Wu King Shiu, Kelvin ( <i>note 2</i> )	259,106,982	4.74	259,106,982	4.68
AID Treasure Investment Limited ( <i>note 3</i> )	1,118,219,178	20.47	1,118,219,178	20.19
Other public Shareholders	4,084,260,139	74.79	4,084,260,139	73.75
	<u>5,461,728,219</u>	<u>100</u>	<u>5,538,297,897</u>	<u>100</u>

*Note:*

1. Mr. Shiu Stephen Junior is the Chairman and executive Director of the Company.
2. Mr. Wu King Shiu, Kelvin is the non-executive Director of the Company.
3. AID Treasure Investment Limited, a subsidiary of AID Partners Technology.

## INFORMATION OF THE PARTIES

The Company is a company incorporated in Bermuda with limited liability, and the Group is principally engaged in the entertainment business, with a focus in television program and movie production, distribution, distribution licensing, cinema operation and management in both Hong Kong and the PRC, artists management, money lending activities and acquisitions of corporate bonds, preference shares as well as investment in securities.

The Vendor is a company incorporated in the British Virgin Islands with limited liability, and is an investment holding company. The Target Company is a company incorporated in the British Virgin Islands with limited liability, and the Target Group is principally engaged in the provision of online music streaming service to public through mobile apps.

Set out below is the combined financial information of the Target Group prepared as if the Target Company had been the holding company of the Target Group as at 1 January 2014:

	<b>For the year ended 31 December 2015</b> <i>(unaudited)</i> <i>(HK\$'000)</i>	<b>For the year ended 31 December 2014</b> <i>(unaudited)</i> <i>(HK\$'000)</i>
Revenue	11,347	9,009
Net Loss before tax	8,826	16,881
Net Loss after tax	8,826	16,881

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Group is principally engaged in online music streaming. The Acquisition will broaden the Group's scope of business in the entertainment industry by covering online music streaming and entertainment in platforms including mobile phones. The Group can also take advantage of the various licences already granted to members of the Target Group from major music labels.

The Directors are of the view that the Acquisition is conducted on normal commercial terms and are in the ordinary and usual course of business, and is fair and reasonable so far as the Company and the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Vendor is a wholly-owned subsidiary of AID Partners Technology, which is interested in approximately 20.47% of the issued share capital of the Company as at the date of this announcement and is a substantial shareholder of the Company. Accordingly, the Vendor is a connected person of the Company within the meaning of the GEM Listing Rules, and the Sale and Purchase Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. As all the applicable ratios exceed 5% but are below 25% and the total consideration is not less than HK\$10,000,000, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As all the applicable ratios under Chapter 19 of the GEM Listing Rules exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules and is subject to notification and announcement requirements but exempt from the circular, Shareholders' approval and accountant's report requirements under the GEM Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement.

## **ISSUE OF THE CONVERTIBLE BOND**

The Convertible Bond will be issued under the Specific Mandate to be sought at the SGM. Applications will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares and the Interest Payment Shares.

## **SGM**

The SGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate.

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement, (ii) further details of the Specific Mandate; and (iii) a notice convening the SGM, is expected to be despatched to the Shareholders by the Company on or around 6 January 2017 in accordance with the GEM Listing Rules.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition of the Sale Share by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
“AID Partners Technology”	AID Partners Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange, (stock code: 8088)
“Board”	the board of Directors
“Bondholder”	the person who is for the time being the holder of the Convertible Bond
“Business Day(s)”	a day (other than Saturday, Sunday and a public holiday) on which banks are open for business in Hong Kong
“Company”	HMV Digital China Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition and transactions contemplated under the Sale and Purchase Agreement in accordance with its terms
“Completion Date”	the fifth Business Day immediately after fulfilment (or waiver) of the conditions precedent set out in the Sale and Purchase Agreement, or such other date as the Parties may agree
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration of HK\$50,000,000 payable by the Purchaser to the Vendor for the Sale Share under the Sale and Purchase Agreement

“Convertible Bond”	the convertible bond in the principal amount of HK\$50,000,000 to be issued by the Company and to be subscribed by the Vendor (or its nominee which shall be a wholly-owned subsidiary or an associate of the Vendor) with the benefit of and subject to the provisions of the conditions set out in the instrument of the convertible bond
“Conversion Shares”	the 76,569,678 Shares to be issued by the Company upon exercise by the Bondholder of the Conversion Rights
“Conversion Rights”	the rights to convert the principal amount (or any part thereof) of the Convertible Bond into Conversion Shares
“Director(s)”	the director(s) of the Company
“Encumbrance(s)”	(a) any option, right to acquire, right of pre-emption, mortgage, charge, pledge, lien, hypothecation, title creation, right of set off, counterclaim, trust arrangement or other security interest or arrangement or restriction of any kind; (b) any arrangement whereby any rights are subordinated to any rights of any third party; and (c) the interest of a vendor or lessor under any conditional sale agreement, lease, hire purchase agreement or other title retention arrangement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than (i) AID Partners Technology and its associates and (ii) those who are materially interested in the Sale and Purchase Agreement

“Interest Payment Shares”	the 15,313,935 Shares to be issued by the Company upon Maturity Date for payment of interest accrued on the outstanding principal amount of the Convertible Bond
“Long Stop Date”	28 February 2017 (or such other date as the Parties may agree in writing)
“Mystery Apex”	Mystery Apex Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Target Company immediately prior to Completion
“Party(ies)”	the party(ies) to the Sale and Purchase Agreement
“Purchaser”	Sunny On Corporation Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 13 December 2016 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Sale Share”	1 ordinary share of the Target Company, representing 100% of its entire issued share capital immediately prior to Completion
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the relevant matters mentioned in this announcement
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	means the ordinary share(s) of HK\$0.01 each in the share capital of the Company existing on the date of the Convertible Bond and all other (if any) stock or shares from time to time and for the time being ranking pari passu therewith and all other (if any) shares or stock resulting from any sub-division, consolidation or re-classification thereof
“Soliton (HK)”	Soliton (HK) Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Target Company immediately prior to Completion

“Soliton Alpha”	Soliton Alpha Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Target Company immediately prior to Completion
“Soliton Beta”	Soliton Beta Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Target Company immediately prior to Completion
“Specific Mandate”	a specific mandate to be granted to the Directors by the Shareholders at the SGM to issue the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“Target Company”	Time Edge Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Vendor immediately prior to Completion
“Target Group”	the Target Company and its subsidiaries, namely Mystery Apex, Soliton (HK), Soliton Alpha and Soliton Beta
“Vendor”	Honour Best Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent

By Order of the Board  
**HMV Digital China Group Limited**  
**Shiu Stephen Junior**  
*Chairman*

Hong Kong, 13 December 2016

*As at the date of this announcement, the Board comprises Mr. Shiu Stephen Junior (Chairman) and Mr. Sun Lap Key, Christopher, Mr. Lee Wing Ho, Albert and Mr. Ho Gilbert Chi Hang and Ms. Li Mau as executive Directors; Mr. Wu King Shiu, Kelvin as non-executive director; Mr. Chan Chi Ho, Mr. Kam Tik Lun and Mr. Tam Kwok Ming, Banny as independent non-executive Directors.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for seven days from the day of its posting and on the website of the Company at [www.china3d8078.com](http://www.china3d8078.com).*